Concordia University

Board of Governors

Concordia Employee Benefits Committee

Meeting of May 3, 1978

Attendance: Mr. H. Hemens, Chairman, Mr. E.A Lemieux, Mr. C. Malone, Mr. J. Tait, Mr. P. Gore, Mr. W.M. Reay, Prof. A. Dickie, Prof. C. Goldman, Prof. G. Martin, Mr. C. Waters, Miss M.D. Johnson, Miss Jocelyne Dionne of Wood Gundy, Messrs. Riddell and Fawcett of McLean Budden, Messrs. Brochu and Morency of William M. Mercers Ltd.

Wood Gundy Report

The December 31st 1977 Wood Gundy report was presented by Miss Dionne. In summary, she commented that the performance of the Total Fund over the last two four year periods had remained in the fourth quartile. Equity performance when cash reserves were included remained in the fourth quartile. Bond results were in the first quartile on an annual basis and had entered the third quartile for the four year periods ending June 1977 and December 1977.

Market values had not been established for the mortgage content of the fund. Miss Dionne estimated that inclusion of mortgage market values would have increased the return on the total fund by 0.2%. She added that steps were underway to establish representative market values and that the next Wood Gundy report for the period ending June 30, 1977 would include these values.

Investment Management

Mr. Fawcett of McLean Budden told the Committee that over their period of management since 1973, the responsibility for its performance was entirely theirs. He remarked that McLean Budden's policy of buying and holding stock of well-established companies was no longer working. This phenomenon had necessitated a change in trading policies which McLean Budden is now implementing. McLean Budden now establishes an annual rate of return for certain groups of stock; this rate includes capital appreciation and dividends. Once the rate of return has been achieved, the securities are sold. A copy of these estimated rates of return was circulated to Committee members. (Appendix " A ")

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Mr. Fawcett advised the Committee that McLean Budden continues its policy of building a high yield content into the bond portfolio. He commented that the lowering of interest rates towards the end of 1977 had led them to sell $700,000 of long bonds which were replaced by medium term (5-10 years) bonds.

Mr. Lemieux remarked that many funds with an aggressive bond trading policy were successful. He added that the recent Government of Canada issue could have netted the fund half a point in a few hours.

Mr. Fawcett replied that he preferred a policy of building up a high yielding portfolio.

The Mortgage concentration continued to be on N.H.A. insured single family dwellings. Mr. Fawcett added that the mortgage content of the fund had declined slightly during 1977. This decline was due to the fact that the interest spread between mortgages and bonds was such, that bonds were a more attractive option.

Mr. Lemieux commented that he was hopeful that McLean Budden's new equity approach would bear fruit and that the progress of the fund performance would be watched closely through 1978.

Investment Strategy

Professor Goldman reminded the Committee that a decision on investments had to be made. At the previous meeting, it had been resolved that all cash flow would be used to purchase short term paper until further notice from the Committee.

He repeated the motions proposed in his memorandum of February 13th 1978 which had been discussed during March 29 1978 meeting and stressed his opinion that nothing had occurred since that time to convince him to make any changes.

Professor Goldman therefore proposed that no further purchases of equities be made for the fund and that any pick-up in the stock market be used to sell all the stock in the portfolio of the pension fund; the motion was not seconded.

Several options were discussed such as the retention of the relative weights of each component of the fund, or the option of buying and selling existing securities but holding new cash in short term securities.

Concern was expressed that such action would transfer much of the responsibility for overall investment performance of the fund from McLean Budden to the Committee. Since the Committee was attempting to judge McLean Budden's effectiveness as fund managers, such action would render inaccurate, any further performance figures.

It was proposed by Professor Dickie, that McLean Budden be authorized to manage the fund assets to the best of their ability without restriction until further notice from the Committee.

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The proposal was seconded by Mr. Malone and carried by a vote of five in favor and one opposed.

Next Meeting

It was agreed that the next meeting would be held on May 31st 1978.

The meeting terminated at 2.15 p.m.

Colin Waters, Secretary